



Remarks For

The Hon. Steven Preston  
Administrator  
U.S. Small Business Administration

Delivered At The

**NATIONAL COMMUNITY DEVELOPMENT ORGANIZATION  
POST-KATRINA ECONOMIC DEVELOPMENT SUMMIT**

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## WELCOME

Thank you all for being here today. This is such an important conference and I'm delighted to be part of it and to see so many people engaged in the relief and recovery issues facing New Orleans and the rest of the Gulf Coast Region.

We are all here with a common goal: to bring about a sustainable, robust economic recovery throughout the Gulf Coast. We need broad engagement in restoring the communities of this area for that to happen. That's why I am so thankful to see so many of you committed to that goal.

A year ago, I was still working in the private sector preparing for confirmation hearings. Like most Americans after Katrina, I watched in shock as people down here suffered the immediate and subsequent affects of the storms, wishing I could do more than pray and send money. Early last year I received a call from Washington asking if I would consider a role that was described as a higher calling -- that being to lead this agency as it work to meet the overwhelming demand for SBA loans.

Institutions at all levels were all overwhelmed by the tremendous demand for support following Katrina, and in many cases, people's suffering and the region's difficulties have been prolonged as a result. The SBA, like many organizations, fell short in its ability to respond.

Through extensive operational reengineering last summer, we dramatically accelerated our distribution of funds to people in the Gulf, redesigned processes to make our program more responsive and efficient, and expanded our capacity to serve Americans in major disasters. There is now \$5.7 billion of SBA disaster funds at work in the Gulf, we are far better prepared than ever for the future, and Friday, we submitted our disaster plan to Congress demonstrating SBA's readiness.

It has been a higher calling, but the calling continues. And we can't let our resolve weaken; we must approach this rebuilding effort with the same urgency and tenacity that we showed in the immediate relief efforts in 2005 and 2006. We also have to look beyond "what was" and make sure we take a bigger view about "what could be" — which requires creativity, cooperation, discipline, and leadership.

One of the distinguished participants at this great event, Chairman Don Powell, Federal Coordinator of Gulf Coast Rebuilding, has said that participating in such a worthwhile cause as the rebuilding of this region is a unique opportunity that only comes along not just once in a lifetime or once in a generation, but maybe once every hundred years.

It is an opportunity, albeit borne out of extreme adversity, that demands that leaders think hard about what will enable long-term lasting, sustainable improvements in our Gulf Coast communities.

## THE IMPORTANCE OF SMALL BUSINESS IN REBUILDING

And while there are many critical needs and issues to address along the way, we all need to understand that to be successful, we must enable a thriving small business community to reestablish itself. Let's consider for just a minute the power of small business at work in our economy today.

- Since August 2003, more than 8 million jobs have been created in our country and our economy has now added jobs for 45 straight months. Small businesses created two-thirds of those new jobs.
- Small businesses create economic growth. American workers are taking home more pay with these new jobs. Across the country, real after-tax income per person has risen by 10 percent – more than \$3,000 per person – over the last 6 years. Small businesses represent more than half of our non-farm private Gross Domestic Product [GDP].
- Small businesses also drive innovation and competitiveness. Many of the innovations that our country is known for come from small businesses owners. For example, small patenting firms produce 13 to 14 times more patents per employee than their larger competitors. In

their search for a competitive edge and market niche, small businesses find themselves thinking outside of the box and coming up with new and creative ways of doing things, to the benefit of our economy and society.

- And while small business ownership allows people to realize their dreams, it does not stop with the founder of the company or the entrepreneur behind the business—but extends to the customers they serve, the individuals they employ, and the communities they invigorate.

America has an economy that regenerates, is flexible, and adapts to opportunity in large part because our entrepreneurial culture has taught us to dream, to see possibilities, and to act on these possibilities.

Entrepreneurialism is in our national DNA and it an underpinning of our country's greatness.

Business owners are also inherently adaptable and find the opportunities based on the needs of the communities. By being involved so deeply in the fabric of the communities, they are able to identify niches and opportunities and satisfy them. They serve the communities in which they are located, and in doing so, they serve our economy on the whole. We must harness that power and ingenuity as we move forward with Gulf

Coast Reconstruction and small businesses continue to play an extremely important role here.

### SMALL BUSINESS IN GULF ECONOMY HISTORICALLY

Pre-Katrina New Orleans and the surrounding parishes represented approximately one-third of Louisiana's economy. Before the storms, the entire gulf region produced 6.5 percent of domestic crude oil and approximately 16 percent of the nation's natural gas. After the storms hit, much of the U.S.'s petroleum drilling, shipping, storage and refining capacity had been severely damaged.

The damaged oil industry, coupled with the devastation of the port facilities along the Mississippi River, had a tremendous impact, not only on local economies but on the rest of America as well.

Southeastern parishes and many other communities along the coast depend heavily upon fishing, which contributed approximately \$1 billion to the Louisiana economy each year in a pre-Katrina environment. The 2005 hurricanes devastated not only the commercial fishing industry, but also the recreational fishing and boating industry. Ships were destroyed. Ports and marinas, along with the supporting road and bridge infrastructure were severely damaged. About 515 registered charter

captains offered trips throughout Louisiana before the storm hit, attracting recreational anglers from all 50 states.

The small business economy is often the hardest hit in major natural disasters. The effect goes well beyond a portion of their business. In many cases, small business owners find their facilities, their homes, all of their employees and most or all of their customers are battered by the disaster.

With each damaged area in the Gulf, small business owners, their employees and families were severely affected. Many lived nearby and all of them face an uncertain future. So at the same time that we acknowledge that a robust small business environment is essential to the recovery, we need to understand the tremendous extent of the set back for small businesses. And unfortunately, the environment is still very difficult for small business.

The federal government can create a hospitable environment for businesses, as well as broad based programs like those the SBA offers. But to be effective, they must be delivered well at the local level and coordinated with other efforts more tailored to the local needs. That's why leveraging out district offices to coordinate with other sources of support is so important.

As we look to support the recovery being a strong partner in the rebuilding process, there are three primary ways we are working to enable local entrepreneurs.

#### 1. Capital:

Capital is air to small business - - especially one that is taking on additional burden of rebuilding. Without capital, you can't get started, or fund a working capital through a growth period, expand facilities, or following a disaster, get back on your feet.

As I mentioned before, we have put \$5.7 billion into the hands of home and business owners, which is at work rebuilding from the 2005 hurricanes. In addition to providing people with low-interest, long-term funds to help them get their lives back, this money goes right into the local economy and to local contractors who are actually doing the reconstruction and recovery work. The value of these funds works throughout the area – not just for the benefit of recipients, but for the work that it spawns.

Beyond federal disaster loans, we guarantee loans from private lenders like banks, credit unions and community development lenders. We are there to help private lenders stretch further and deeper in lending to small businesses that would not have access to capital otherwise. Through the



efforts of our local office, 2007 is on track to be a record year in small business loan volume.

## 2. Value of Business Revenue

We are also working hard to drive federal procurement dollars into the hands of local businesses and small business owners.

Small businesses from around the country have received nearly 29 percent of the more than \$15.5 billion as prime contractors in relief and reconstruction contracts awarded in the Gulf region. Furthermore, almost \$1.2 billion has gone to Small Disadvantaged Businesses.

All told, local businesses of all sizes in Alabama, Louisiana and Mississippi received \$3.4 billion in government prime contracts, and 58 percent of SBA's New Orleans District portfolio of 8(a)-certified firms received government contracts.

Today, the SBA is heavily focused is on local small businesses. As more local small businesses win contracts, it allows them to be directly involved in rebuilding their own communities while keeping their business going and their employees working. It gives much needed life to a sector whose success is essential to the region's economic future.

But beyond prime contracts, it's also important to note the benefits of joint venturing and our mentor/protégé program. That program, which allows small businesses to be linked with large and middle-size firms in order to utilize their experience and resources, has been worth an estimated \$340 million in contracts awards.

The mentor protégé agreement allows small businesses to gain expertise via on the job training in partnership with more experienced middle larger businesses. The mentor can guide the small business, while the same time providing services to the community and gainfully participating in the rebuilding efforts.

From this exchange small businesses can successfully gain experience to compete for open and competitive contracts, and not just those in set aside programs.

Joint venture agreements allow two or more small businesses to join together and compliment their strengths, thereby providing them with opportunities neither one would have had individually. Joint ventures combine experience, expertise, financial strength, and bonding capacity.

I will say that for SBA to be successful in our small business efforts requires tenacious and creative outreach. Following the hurricanes, the SBA conducted a mobile registration tour in the Gulf, which provided help

for small businesses with electronic registration in the Central Contractor Registry and business counseling was also provided by SBA resource partners including SBDC and SCORE. Following the registration, SBA's procurement center representatives worked with over 700 small businesses to match capabilities of the firms with the needs of the procuring activities.

Registered small businesses have received more than \$650 million in contracts and their profiles have been uploaded to the GSA's electronic notification system for procurement opportunities.

Some examples of the results:

- **Horizontal Oilfield Supply Systems.** When New Orleans was facing flooding, this veteran-owned firm obtained a contract from FEMA to build and supply specially designed pumps to remove 7 million gallons of flood water an hour.
- **Crown Roofing.** An 8(a) firm, Crown Roofing won a 5-Year contract awarded by FEMA for the maintenance of mobile homes and travel trailers in Louisiana. They also are providing services for FEMA in Jefferson Parish, East and West Baton Rouge Parishes, and have been awarded major contracts with the Corps of Engineers to provide emergency temporary roofing services.

- **Jacquet Construction Services.** JCS is an 8(a), HUBZone, construction firm in New Orleans. They were awarded a project for the U.S. Army Corps of Engineers to build access roads and parking areas for the Dozier Elementary School and the temporary classrooms for Vermilion Parish. Currently JCS is providing service related to the maintenance of temporary housing units for FEMA in the New Orleans area and St. Bernard Parish.

In addition to prime contracts, subcontracting puts much needed dollars into the hands of local small businesses in the Gulf Coast. SBA worked with a major prime contractor, local Minority Business Councils, and New Orleans Youth for Prosperity, to locate small businesses in the New Orleans and Mississippi areas. The result, the contractor subcontracted 82% of its work to small business, with 84% of the labor coming from the Gulf states.

SBA is committed to utilizing all of our programs to help the Gulf Coast areas recover. SBA will build on these kinds of successes to expand small business federal contracting opportunities. SBA will also continue to employ the strategies that have produced positive results in the Gulf after Katrina. Strategies such as:

- Assisting small businesses to develop forward marketing strategies. For instance, protecting their business after a

disaster, and planning for possible involvement with rebuilding efforts.

- Using our district offices to coordinate matchmaking and registration events to increase local small business contracting opportunities.
- Working continually with GSA and other agencies to establish up-to-date sourcing lists for small businesses.
- Building upon the progress in small business contracting and subcontracting awards that we have seen in the rescue, relief and recovery of the Gulf Coast thus far.

Long-term disaster recovery is a pro-active endeavor, and the SBA is going into communities and taking the recovery effort directly to the small businesses there.

#### FUTURE PREPAREDNESS

I am very proud of the progress the SBA has made in providing support to the region, much of which is due to the efforts of our local district office.

I want to thank all of you for your commitment to rebuilding the Gulf Coast and ask you to do whatever you can to support and engage the local small business community along the way.

Working with communities following a disaster is a high calling. People turn to SBA when they need help, and it is our honor to do whatever we can to help them get their lives back and restore their hope and their future.

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